United Nations A/67/394

General Assembly

Distr.: General
26 September 2012

Original: English

Sixty-seventh session
Agenda item 16
The role of the United Nations in promoting a new global human order

The role of the United Nations in promoting a new global human order and an assessment of the implications of inequality for development

Report of the Secretary-General

Summary

The present report on the role of the United Nations in promoting a new global human order and an assessment of the implications of inequality for development is submitted pursuant to General Assembly resolution 65/120. The report reviews recent trends in inequality and their implications for economic and social development, drawing on current analytical and empirical research into the causes of inequality. The report concludes with a number of recommendations for addressing inequality at all levels, in particular within the United Nations framework, as a contribution to ongoing efforts to achieve the internationally agreed development goals, including the Millennium Development Goals.

12-52269 (E) 121012

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I. Introduction

1. The proposal for a new global human order was first introduced at the World Summit for Social Development, held in Copenhagen in 1995. The new global human order is intended to promote multilateral approaches to the resolution of global problems. The emphasis is on human development and on closing the gap between rich and poor, both between and within countries. That focus is echoed in the central vision of the Millennium Development Goals and, in particular, in the United Nations development agenda beyond 2015, which highlights the importance of explicit targets on inequality to ensure equitable and sustainable social and economic development. Indeed, inequality in income, land distribution and access to social services and infrastructure has continued to pose major barriers to attaining the internationally agreed development goals, including the Millennium Development Goals. Often, however, efforts to achieve those goals have not adequately taken into account the impact of inequality on economic and social development.

2. The present report provides a succinct assessment of the implications of inequality for sustainable development. It reviews recent trends in inequality and its causes and implications for economic and social development, both within and among countries. It also reviews the work of the United Nations system in the area of inequality over the past two years in response to growing concern over the persistent and considerable disparities between rich and poor and about the adverse implications of those disparities for the promotion of human development throughout the world. The report concludes with a set of recommendations on ways and means of addressing inequality at all levels, in particular within the United Nations framework, as a contribution to ongoing efforts to achieve the internationally agreed development goals, including the Millennium Development Goals.

II. Trends in inequality

3. In the past 30 years, the world has made significant progress in reducing absolute income poverty. Despite population growth, the number of people living on under $1.25 a day has fallen, from 1.9 billion people in 1981 to under 1.3 billion in 2008, and the percentage of people living on under $1.25 a day has also declined globally, from 52 per cent to 22 per cent over the same period.[1] However, progress in reducing poverty has been uneven: success has been concentrated in East Asia, particularly in China. In other parts of the world, including sub-Saharan Africa and countries in conflict, progress has been more uneven. While the percentage of the poor declined at an annual rate of 6.2 per cent in East Asia between 1981 and 2008, it fell by only 0.3 per cent per year in sub-Saharan Africa. Thus, the income and consumption levels of the population at the bottom of the income distribution ladder have increased, but have done so unevenly.

4. In many developed countries, the poverty line has been set as a proportion of national mean or median income, and poverty rates have increased. Setting the poverty line relative to average income has captured increasing income inequality. In member countries of the Organization for Economic Cooperation and Development (OECD), the population living on incomes below 50 per cent of the median increased by

[1] World Bank online poverty analysis tool (PovcalNet).

1.2 percentage points between the mid-1980s and the mid-2000s.[2] In the European Union, the proportion of those living on less than 60 per cent of the median (after social transfers) has increased in the majority of countries as a result of persistently high unemployment in the aftermath of the crisis.[3]

5. A significant proportion of the inequality between individuals is determined by their country of residence, given the large disparities in national incomes per capita. Average national incomes per capita became increasingly unequal throughout the twentieth century.[4] Incomes diverged rapidly across countries between 1980 and 2000 before converging from 2000 onward, owing to stronger economic growth in developing countries. However, even with the fall in inequality after 2000, the Gini coefficient of cross-country inequality remained higher in 2010 than it was in the 1980s.

6. Income inequality has been growing in many countries throughout the world despite the decline in absolute poverty. Between 1990 and the late 2000s, inequality in disposable income — that is, income after taxes and transfers — increased in 62 of 116 countries.[5] These countries are home to almost two thirds of the world's population. The great majority of developed countries have experienced an increase in inequality, as have some larger emerging economies. The gap between rich and poor has increased not only in some of the already high-inequality developed countries, such as the United Kingdom of Great Britain and Northern Ireland and the United States of America, but also in some countries with traditionally low inequality, such as the Nordic countries and Germany. Income inequality has increased fastest in Eastern Europe and those countries undergoing the transition to market economies.

7. In Mexico and eight other countries in Latin America, income inequality rose during the 1990s, but has declined rapidly since 2000.[6] The gap between rich and poor has declined in the majority of African countries, including countries with very high inequality in Southern Africa, such as Botswana, Lesotho and Swaziland, with the exception of South Africa, where the gap has continued to widen rapidly during the post-apartheid period despite continued economic growth and the expansion of social assistance programmes.[7]

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[2] Organization for Economic Cooperation and Development, *Growing Unequal? Income Distribution and Poverty in OECD Countries* (Paris, 2008).

[3] At-risk-of-poverty data trends from the Eurostat statistics database (income, social inclusion and living conditions).

[4] Branko Milanovic, *The Haves and the Have-Nots: A Brief and Idiosyncratic History of Global Inequality* (New York, Basic Books, 2011).

[5] The description of recent inequality trends at the regional level focuses on the period from 1990 to the late 2000s so as to ensure maximum coverage and reliability of the data — for instance, inequality indicators are not widely available in the former communist countries of Central Asia and Eastern Europe before 1990; where they are available, the estimated measurement errors are relatively high. For more information, see Frederick Solt, "Standardizing the World Income Inequality Database", *Social Science Quarterly*, vol. 90, No. 2 (June 2009). Data available from www.siuc.edu/~fsolt/swiid/swiid.html.

[6] In Mexico, the Gini coefficient declined from 49.1 in 2000 to an estimated 43.7 in 2010, reversing increases in inequality that had taken place during the 1980s and up to 1994. This decline is attributed to a reduction in wage disparities, social assistance (public transfers, mainly through the Progresa/Oportunidades programme) and, to a lesser extent, remittances.

[7] Murray Leibbrandt and others, "Trends in South African income distribution and poverty since the fall of apartheid", OECD Social, Employment and Migration Working Papers, No. 101 (Paris, OECD, 2010).

8. Asia has traditionally experienced lower inequality than other developing regions, yet inequality increased in 20 out of 28 countries between 1990 and the late 2000s. Most notable among them has been China, where the Gini coefficient increased from 32.2 in 1990 to 43.4 in 2008 despite strong economic growth and a significant reduction in poverty. Inequality also increased in India during the period. Some countries in South-East Asia, namely, Malaysia, the Philippines and Thailand, have reduced inequality since the mid-1990s.

9. In sum, income inequality has increased in countries and regions that had enjoyed relatively low levels of inequality in 1990 and has declined in some countries that suffered and continue to suffer from high inequality. However, the increases have been stronger than the declines. Furthermore, income inequality has increased mainly because the wealthiest individuals have gotten wealthier while the relative situation of the poorest segments of the population has not improved.

10. International inequality is still higher than inequality within countries in most cases. The Gini coefficient of global income inequality, which increased from 68.4 in 1988 to 70.7 in 2005, shows a degree of international inequality larger than that found in any individual country. The share of global income of the top 10 per cent of the world's population increased during the same period, from about 51.5 per cent to 55.5 per cent.[8] Despite the fact that low-income countries have been growing faster than high-income countries and that international inequality has been falling, the absolute gap in national mean incomes per capita between these two groups of countries increased from $18,525 in 1980 to close to $32,900 in 2007, before falling slightly to $32,000 in 2010.[9] It is unclear how the aftermath of the global crises will affect this very recent trend. The absolute gap between incomes per capita in low- and upper-middle-income countries grew throughout the period, from close to $3,000 in 1980 to $7,600 in 2010.

11. Global wealth disparities have been larger than income disparities. In a considerable effort to collect comparable data across countries, Davies and others[10] have estimated the world Gini coefficient of wealth (using purchasing power parity-adjusted rates) at 80 in 2000.[11] The top 10 per cent of the world's population owned 71 per cent of the wealth around the same date — as compared to 55.5 per cent of the income — and the top 1 per cent owned 32 per cent of the wealth. Close to 90 per cent of adults in the top 1 per cent lived in developed countries, 37 per cent of them in the United States alone, which, in 2000, had 5 per cent of the world's

[8] Branco Milanovic, "Global inequality recalculated and updated: the effect of new PPP estimates on global inequality and 2005 estimates", *The Journal of Economic Inequality*, vol. 10, No. 1 (March 2012).

[9] Own calculations based on data on gross domestic product (GDP) per capita (purchasing power parity-adjusted, at constant 2005 international dollars) from the World Development Indicators database, available from http://databank.worldbank.org/ddp/home.do (accessed 19 July 2012).

[10] James B. Davies and others, "The world distribution of household wealth" (International Association for Research in Income and Wealth, 2006).

[11] Ibid., table 11b. The estimate was based on wealth in United States dollars and therefore was not fully comparable to Milanovic's Gini of income, which was based on international dollars. In addition, although the later work of Davies and others (2007 and 2008) has been the most recent and comprehensive to date, the data sources (household surveys in some cases, tax records in others), economic unit of analysis (households, individuals or adults, depending on the country) and data quality have affected the quality of the estimates, particularly of the Gini coefficient, which would require data from the full wealth spectrum. The authors have recognized that the top wealth shares were underestimated.

population. Close to 30 per cent of the population in the bottom wealth decile lived in Africa, a region that contained 13 per cent of the world's population.

12. In sum, absolute income poverty has declined in the last three decades, although very unevenly, whereas relative poverty (income inequality) has increased. The absolute income gap between high-income and low-income countries has been growing, whereas when each country's income is weighted by its population, relative disparities across countries have been falling. Global income and wealth disparities are larger than those found within any country and are not declining.

III. Causes of inequality

13. In recent decades, until the onset of the economic and financial crises in 2007, increased global economic integration contributed to strong economic growth accompanied by greater opportunities and benefits for many. However, while trade globalization has been associated with a reduction in income inequality, financial globalization, especially foreign direct investment, has been associated with an increase in income inequality. In recent years, financial deregulation and rapidly rising international capital flows have been the main sources shaping global economic integration. Financial markets and institutions have become the masters rather than the servants of the real economy, distorting trade and investment, heightening levels of inequality, and posing a systemic threat to economic stability.[12] This period of finance-driven globalization has been characterized by jobless growth: while financial sectors in developed countries have grown rapidly, economic growth often came without the expected corresponding job growth. Rather, work has remained informal and become more flexible for many, union representation has been on the decline, and labour regulations and the bargaining position of labour have been weakened in the global competition to attract capital.

14. There is evidence that financial globalization has contributed, in part, to growing income inequality, owing to the rising incidence of crises resulting from increased risk. The transmission of shocks through the channels of reduced trade, investment and financial flows has aggravated inequalities and has had an adverse impact on social outcomes. Furthermore, during post-crisis recovery, employers and workers have been more likely to renegotiate terms of employment. Since the crisis has tended to place employers in a stronger bargaining position, this has helped to keep wages down. Recovery has also been unequal: workers and small businesses have shouldered the burden of the costs, and the big companies have become winners in the crisis.[13] The adverse impacts of crises on employment and income have been exacerbated in the past three decades by very restrictive, procyclical macroeconomic policies aimed at keeping inflation at a very low level. The lack of adequate social protection has also contributed to rising economic insecurity and inequality.

15. Technological progress has also contributed to income inequality by increasing the premium on higher-level skills as globalization has depressed wages for unskilled labour, emphasizing the critical need for the expansion of education and

[12] United Nations Conference on Trade and Development, report of the Secretary-General of UNCTAD to UNCTAD XIII on development-led globalization: towards sustainable and inclusive development paths (UNCTAD (XIII)/1).

[13] Joseph E. Stiglitz, *The Price of Inequality: How Today's Divided Society Endangers Our Future* (New York, W.W. Norton & Company, 2012).

training, as well as technology transfer, to address growing inequality. Among developing countries, the effect of technological progress has been stronger in Asia than in Latin America, reflecting the greater share of technology-intensive manufacturing in Asia. Asia has been facing strong upward pressure on the wage gap between skilled and unskilled labour. The abundance of labour relative to capital, which has depressed wage rates, has also been a contributing factor to the declining labour income share in developing Asia. Capital has been less equally distributed, which has contributed to rising inequality. In many countries, as much as 25 to 35 per cent of total income inequality can be explained by differences in human resources and skills.[14] A study conducted by the International Labour Organization (ILO)[15] revealed that the rise in inequality was related to such economic factors as technology-induced shifts in the demand for skilled labour, foreign direct investment and tariff liberalization. Significantly, the same study found that human resources, measured in years of education, lowered inequality.

16. Empowering people to fully engage in the global economy and to insulate themselves from the impact of crises through social protection and investment in human capital and promoting full employment and decent work through active labour market policies would help to address some of the root causes of inequality. Increasing high-productivity employment opportunities in developing countries by investing in agricultural development and promoting technology transfer could help to further reduce the skills-based income gap. In addition, redistributive policies and progressive taxation have been proven to reduce inequality. Finally, promoting inclusive economic growth by increasing international macroeconomic policy coherence — specifically, addressing financial regulation and replacing procyclical with countercyclical policies — would help to address the structural causes of inequality.

IV. Implications of inequality for economic and social development

17. High income inequality reduces the impact of economic growth on poverty reduction. It is also associated with lower social cohesion and trust and greater instability and conflict. Income inequality makes it harder for poor people to participate in economic, social and political life. Unless inequality is addressed deliberately at both the national and international levels, development will continue to benefit only segments of populations or will slow down altogether.

18. One important way in which inequality affects social and economic development is through the intergenerational transmission of disadvantage. A large body of research has shown that family socioeconomic background is highly correlated with individuals' outcomes later in life. Disadvantage hinders the ability of poorer groups to capitalize on opportunities, whereas the better-off are able to protect their status and pass it on to the next generation. Where inequality is high, the wealthy are better able to invest in their children's education and shape the structure of rewards to their advantage through influence in political and institutional processes.

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[14] Asian Development Bank, *Asian Development Outlook 2012: Confronting Rising Inequality in Asia* (Manila, 2012).

[15] ILO, *World of Work Report 2008: Income Inequalities in the Age of Financial Globalization* (Geneva, 2008).

19. The influence of family background on an individual's attainment may be the product of many factors, including discrimination, parenting and parental investment, social capital and education. Successful, wealthy and educated parents are better positioned to ensure that their children receive the best education, whether that means paying for private schooling or living in neighbourhoods with the best schools. Conversely, poorer families have less to invest in their children, both in monetary terms and in terms of social capital. Spatial segregation also plays a role, as poorer families in remote or rural areas have more limited access to quality health-care and educational services, clean drinking water and sanitation and gainful employment opportunities.

20. Higher income inequality also hampers the ability of children of low-income parents to climb up the income ladder later in life. Research on intergenerational income mobility has shown that rising income inequality leads to declines in economic mobility across generations. According to available data, intergenerational earnings elasticity, which ranges from 0 (total mobility: no relationship between parent's and child's incomes) to 1 (no mobility: child's income determined by parent's income), ranges from a low of 0.15 in Denmark to a high of 0.67 in Peru. Among developed countries, it has tended to be lowest in the Nordic countries and highest in Italy, the United Kingdom and the United States.[16] In developing countries, data are limited but, where available, have shown that intergenerational earnings elasticity tends to be much higher than in developed countries.

21. Countries with greater inequality have also tended to have less mobility.[17] Overall development level accounts for at least part of this relationship, as economic development generates educational and employment opportunities. In addition, inequality itself has made mobility more difficult where the disparity between low- and high-income households has been greater. Furthermore, in more unequal societies, the rich have greater incentive and opportunity to protect their position and are likely to do so by using their wealth to influence policies in their favour, making mobility more difficult for the disadvantaged.

22. While there has been extensive, detailed research on socioeconomic mobility in countries in more developed regions, relatively little is known about intergenerational mobility in developing countries. However, strong links between the socioeconomic status of parents and children have been empirically identified in several countries.[18] The factors that have contributed to variations in mobility within and between countries have included differential access to education and

[16] Miles Corak, "Inequality from generation to generation: the United States in comparison", in *The Economics of Inequality, Poverty, and Discrimination in the 21st Century*, Robert Rycroft, ed. (ABC-CLIO, forthcoming).

[17] Dan Andrews and Andrew Leigh, "More inequality, less social mobility", *Applied Economics Letters*, vol. 16, No. 15 (2009).

[18] See Christopher E. Dunn, "The intergenerational transmission of lifetime earnings: evidence from Brazil", *The B.E. Journal of Economic Analysis & Policy*, vol. 7, No. 2 (2007); Javier I. Nunez and Leslie Miranda, "Intergenerational income mobility in a less developed, high-inequality context: the case of Chile", *The B.E. Journal of Economic Analysis & Policy*, vol. 10, No. 1 (2010); Nathan Grawe, "Intergenerational mobility for whom? The experience of high- and low-earning sons in international perspective", in *Generational Income Mobility in North America and Europe*, Miles Corak, ed. (Cambridge, United Kingdom, Cambridge University Press, 2004); and Florencia Torche and Carlos Costa-Ribeiro, "Parental wealth and children's outcomes over the life-course in Brazil: a propensity score matching analysis", *Research in Social Stratification and Mobility*, vol. 30, No. 1 (2012).

quality of education,[19] the structure of inequality,[20] the skills gap associated with industrialization, discrimination across groups and variations in public policy, particularly with regard to investment in children.[21]

23. One factor in intergenerational mobility is large, persistent disparities among groups. The poorest and most marginalized populations have had fewer opportunities to improve their socioeconomic status by advancing their educational status, which highlights the importance of additional support for disadvantaged groups. For example, large urban/rural disparities and group differences have contributed to lower socioeconomic mobility. A study on educational mobility in India[22] found intergenerational educational mobility to be much lower for disadvantaged and excluded groups. In South Africa, a study[23] found that the intergenerational mobility of black Africans was lower than that of white Africans and that the poorest groups experienced the lowest levels of intergenerational mobility.

24. The intergenerational transfer of disadvantage, and thus poverty and inequality, can be reduced by expanding access to education, preventing discrimination, investing in early childhood health care and education and expanding employment opportunities. Decoupling economic disadvantage early in life from economic outcomes by reducing or eliminating the cost of health care and education, as well as improving infrastructure and sanitation, can increase opportunities for less advantaged children. Government spending on programmes that benefit children has been empirically linked to increased opportunity.

25. The ability of youth to obtain equitably the skills necessary to engage with the labour market through education and training is one key factor in increasing opportunity; the rewards to individuals with key skills in the labour market is another. Policies designed to support decent work opportunities are essential to increasing intergenerational mobility. Policies should promote access to jobs based on individual merit and limit the role of family contacts, discrimination or nepotism in the allocation of jobs.

26. Inequality also diminishes social cohesion, particularly where people recognize that rewards have been distributed unfairly. When people perceive inequality to be unfair and excessive, protests and social unrest can result, such as those seen around the world in recent years. There is a cross-national correlation between income inequality and homicide: a study of 33 countries found that a lower

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[19] Tom Hertz and others, "The inheritance of educational inequality: international comparisons and fifty-year trends", *The B.E. Journal of Economic Analysis & Policy*, vol. 7, No. 2 (2007).

[20] Anna Cristina d'Addio, "Intergenerational transmission of disadvantage: mobility or immobility across generations? A review of the evidence for OECD countries", OECD Social, Employment and Migration Working Papers, No. 52 (Paris, OECD, 2007).

[21] Miles Corak, Lori J. Curtis and Shelley Phipps, "Economic mobility, family background, and the well-being of children in the United States and Canada", in *Persistence, Privilege, and Parenting: The Comparative Study of Intergenerational Mobility*, Timothy M. Smeeding, Robert Erikson and Markus Jäntti, eds. (New York, Russell Sage Foundation, 2011).

[22] Jhilam Ray and Rajarshi Majumder, "Educational and occupational mobility across generations in India: social and regional dimensions" (University Library of Munich, 2010).

[23] Alain-Désiré Nimubona and Désiré Vencatachellum, "Intergenerational education mobility of black and white South Africans", *Journal of Population Economics*, vol. 20, No. 1 (February 2007).

level of trust in unequal societies was an important intervening variable.[24] A study in the United States found that social cohesion, measured as social trust and group membership, remained an important mediating factor after controlling for access to firearms.[25] In Europe, there has been an uptick in suicides related to worsening inequality and the ongoing financial crisis.[26]

27. Recent research employing spatial analysis techniques has found that both rich and poor groups in highly unequal societies engage in violent conflict more often than those groups whose wealth is closer to the country average. Furthermore, horizontal inequalities between politically relevant ethnic groups and States have been found to promote ethnonationalist conflicts.[27]

28. Redistributive policies can reduce inequality. Developed countries showing the most equitable income distributions have tended to have the strongest redistributive policies, while the most unequal countries have had the weakest income redistribution policies. The provision of social services has the potential to maintain peace and reduce grievances by increasing the standard of living of the least well off and thereby increasing social inclusion. Universal social services can contribute to social cohesion and peace by creating buy-in among disenfranchised segments of the population and reducing inequality. A recent cross-national time series study found that, as the level of Government investment in education, health care and social security increased, the likelihood of civil conflict onset declined significantly.[28] Another study in urban China found that exclusion from social services contributed to social discontent and that universal provision of such services would be the most effective policy for alleviating grievances.[29]

29. In the *Millennium Development Goals Report 2012*, it was noted that, despite impressive gains in many areas, inequality detracted from progress and had slowed advances in some key areas. For example, although sub-Saharan Africa registered an increase in the proportion of the population using improved water sources, from 49 per cent in 1990 to 61 per cent in 2010, this progress masked disparities by income. An analysis of data from 35 countries in sub-Saharan Africa found that access to improved sources of water varied from 94 per cent among the richest 20 per cent in urban areas to 34 per cent among the poorest 20 per cent in rural areas. Furthermore, while the wealthiest urbanites enjoyed access to improved water at rates approaching those in the more developed regions of the world, the poorest

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[24] Frank J. Elgar and Nicole Aitken, "Income inequality, trust and homicide in 33 countries", *The European Journal of Public Health*, vol. 21, No. 2 (April 2011).

[25] B. P. Kennedy and others, "Social capital, income inequality, and firearm violent crime", *Social Science & Medicine*, vol. 47, No. 1 (July 1998).

[26] See Ariana Eunjung Cha, "'Economic suicides' shake Europe as financial crisis takes toll on mental health", *Washington Post*, 14 August 2012.

[27] Lars-Erik Cederman, Nils B. Weidmann and Kristian Skrede Gleditsch, "Horizontal inequalities and ethnonationalist civil war: a global comparison", *American Political Science Review*, vol. 105, No. 3 (August 2011).

[28] Zeynep Taydas and Dursun Peksen, "Can States buy peace? Social welfare spending and civil conflicts", *Journal of Peace Research*, vol. 49, No. 2 (2012).

[29] Lina Song and Simon Appleton, "Inequality and instability: an empirical investigation into social discontent in urban China", University of Nottingham Research Paper, No. 2006/45 (2006).

urbanites experienced access to improved water only at close to the rate in developing regions overall.[30]

V. Addressing inequality within the United Nations framework

30. Since the most recent discussion on the new global human order, in 2010, several United Nations conferences and other bodies, as well as the United Nations system itself, have contributed to furthering research, dialogue and action on the topic of growing inequality, bringing it to prominence in the global development agenda. In the outcome document of the recently concluded United Nations Conference on Sustainable Development, the importance of reducing inequality for the achievement of sustainable development was highlighted.

31. The Economic and Social Council, through its annual ministerial review, has identified economic growth models that promote job creation and are sustainable, inclusive and equitable. The International Labour Conference has strengthened the consensus on social protection by adopting a new international labour standard calling for a basic social protection floor for all. These and other contributions are discussed below.

1. United Nations Conference on Sustainable Development and sustainable development goals

32. In recent years, reducing inequality has come to the forefront of the international development agenda. Heads of State and Government, meeting in Rio de Janeiro, Brazil, from 20 to 22 June 2012 at the United Nations Conference on Sustainable Development, renewed their commitment to sustainable development and to ensuring the promotion of an economically, socially and environmentally sustainable future. In the outcome document of the Conference, entitled "The future we want" (General Assembly resolution 66/288, annex), world leaders reaffirmed that eradicating poverty was the greatest global challenge facing the world and an indispensable requirement for sustainable development. Furthermore, they reaffirmed the need to achieve sustainable development by, inter alia, promoting sustained, inclusive and equitable economic growth, creating greater opportunities for all, reducing inequality, and fostering equitable social development and inclusion. World leaders, recognizing that people were the focus of sustainable development, made the commitment to work together to promote sustained and inclusive economic growth, social development and environmental protection.

33. At the Conference, world leaders also acknowledged the importance of democracy, good governance and the rule of law at both the national and international levels for sustainable development, including sustained and inclusive economic growth. Institutions that were effective, accountable, transparent and democratic were essential for the achievement of sustainable development goals. Furthermore, the participants reaffirmed their commitment to strengthening international cooperation in addressing the persistent challenges related to development for all and reaffirmed the need to promote social equity.

34. Inequality between countries has also been prominent on the global development agenda. In the outcome document, world leaders recognized the need

[30] *Millennium Development Goals Report 2012* (United Nations publication, Sales No. E.12.I.4).

to accelerate progress in closing development gaps between developed and developing countries through both strengthened international cooperation and the full and effective participation of all countries in global decision-making. Key areas for international cooperation that were identified included finance, debt, trade and technology transfer, innovation, entrepreneurship, capacity-building, transparency and accountability.

35. In the same document, inequality was further addressed from the perspective of work. World leaders recognized that many people, especially the poor, relied directly on ecosystems for their livelihood and that, in order to better meet their needs and promote the sustainable use of natural resources, it was essential to generate decent employment opportunities and incomes that decreased income disparities.

36. Social inclusion also figured prominently in the outcome document. It was emphasized that sustainable development must be inclusive and people-centred and recognized that broad public participation was essential to promoting sustainable development goals and ensuring that those goals benefited all people, including the youth and children, indigenous peoples, women, older persons, and persons with disabilities.

2. Annual ministerial review of the Economic and Social Council

37. The 2012 annual ministerial review, held during the high-level segment of the substantive session of 2012 of the Economic and Social Council at United Nations Headquarters, focused on the theme "Promoting productive capacity, employment and decent work to eradicate poverty in the context of inclusive, sustainable and equitable economic growth at all levels for achieving the Millennium Development Goals". Decent work and promoting productive capacity are central to poverty eradication, the achievement of the Millennium Development Goals and equitable, inclusive and sustainable development. The global economic and financial crisis exacerbated pre-existing challenges to the achievement of full employment and decent work in both developing and developed countries. The 2012 annual ministerial review therefore provided an important opportunity for the Council to showcase economic growth models that promoted job creation, were sustainable, inclusive and equitable and could be tailored to the particular needs of countries, while promoting social protection and rights at work.

38. The ministerial declaration adopted at the high-level segment stressed that the promotion of sustained, inclusive and equitable economic growth, while necessary for accelerating progress towards achieving the Millennium Development Goals and for promoting sustainable development, was not sufficient, and that growth should enable everyone, in particular the poor, to participate in and benefit from economic opportunities, should lead to job creation and income opportunities and should be complemented by effective social policies. The declaration stressed the need to not only provide social protection to all members of society but also foster growth, resilience, social justice and cohesion, including for persons not employed in the formal economy.

39. Regional meetings were also held as part of the preparatory activities in support of the annual ministerial review.[31] For example, a regional meeting for

[31] For additional information on the outcome of the regional meetings, see www.un.org/en/ecosoc/newfunct/amrregional2012.shtml.

Latin America and the Caribbean was held in Montevideo on 27 April 2012 on the theme "Productivity, employment and social protection". The outcome of the meeting included recommendations to address regional labour challenges through the establishment of social protection floors to deal with inequality.

3. United Nations development agenda beyond 2015

40. Following the outcome of the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals (General Assembly resolution 65/1), the Secretary-General, in his report entitled "Accelerating progress towards the Millennium Development Goals: options for sustained and inclusive growth and issues for advancing the United Nations development agenda beyond 2015" (A/66/126), indicated that addressing inequalities was central to the Millennium Declaration but had not received sufficient emphasis. He stated that reducing inequalities across gender, location, ethnic and income groups must be central to an inclusive development agenda and that the post-2015 development framework would need to consider effective mechanisms to reduce inequalities.

4. Social Protection Floor Initiative

41. The Social Protection Floor Initiative, established in 2009 as one of the joint United Nations crisis response initiatives, has promoted the recognition of social protection as a means of reducing poverty and inequality. By recognizing important linkages in the areas of social security, employment, health care, education, nutrition, housing and sanitation, national social protection floors have accelerated progress towards achieving the internationally agreed development goals, including the Millennium Development Goals. Various studies have shown that a basic floor of social transfers is affordable in all countries at all stages of economic development, although the least developed countries may need initial assistance from the donor community.

42. The expansion of social protection has proven to be important in reducing inequality and poverty in a range of national contexts in both developing and developed countries. In June 2012, the International Labour Conference adopted a new international labour standard calling for a basic social protection floor for all through the provision of health care and income security. In ILO recommendation No. 202 concerning national floors of social protection, the ILO General Conference recognized the importance of social security in preventing and reducing poverty, inequality and social exclusion and the role of social security systems as automatic stabilizers in times of crisis. The recommendation provided guidance to States on establishing and maintaining social protection floors as a fundamental element of their national social security systems.

5. Research throughout the United Nations system

43. Many United Nations bodies and partners have responded to the growing importance of inequality by engaging in analytical and empirical research. Key contributions in this area are briefly described below.

44. The United Nations Conference on Trade and Development dedicated the 2012 edition of its flagship *Trade and Development Report* to the topic of policies for inclusive and balanced growth.

45. The *World of Work Report 2008* focused on income inequalities in the context of globalization. As part of the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, the Director-General submitted a report on equality at work to the International Labour Conference in 2011.

46. The United Nations Research Institute for Social Development has included the study of social policies for inclusive and sustainable development as a key area of its programme of work and, in 2010, released its flagship report, *Combating Poverty and Inequality*. Through its report, the Institute sought to explain why people were poor and why inequalities existed, as well as what could be done to rectify such injustices.

47. The World Bank, in addition to providing global data on poverty and inequality through its online poverty analysis tool, PovcalNet, has focused its more recent work on inequality of opportunity. The newly developed Human Opportunity Index can show the ways in which children's personal circumstances determine what opportunities they have later in life. The World Bank also dedicated two issues of its *World Development Report* to the topics of inequity and development (2006) and gender equality and development (2012).

48. The Africa Progress Panel dedicated the *Africa Progress Report 2012* to the issues of jobs, justice and equity and warned that inequality threatened growth in Africa.

49. The *Education for All Global Monitoring Report 2009* of the United Nations Educational, Scientific and Cultural Organization (UNESCO), which tracked progress towards the Education for All goals, was focused on why governance mattered in overcoming inequality. UNESCO has also developed an Education for All inequality index and has begun tracking educational inequality over time within countries.

50. The work and research of the United Nations Children's Fund (UNICEF) have increasingly recognized that glaring disparities must be eliminated in order to achieve a more equitable world for children. In September 2010, UNICEF published the report *Progress for Children: Achieving the MDGs with Equity*. The report provided compelling evidence to support a stronger focus on equity for children in the push to achieve the Millennium Development Goals. Another UNICEF study published in 2010 found that an equity-focused approach to child survival and development was the most practical and cost-effective way of meeting the Millennium Development Goals health targets for children.

51. In August 2012, the United Nations Human Settlements Programme released a report that suggested that the gap between rich and poor was widening in much of Latin America. The report stated that the richest 20 per cent of the population earned an average of 20 times more than the poorest 20 per cent.

52. The United Nations Development Programme (UNDP) included an inequality-adjusted human development index in its *Human Development Report 2010*. The adjustment accounted for the degree of inequality within each dimension of the human development index; UNDP regularly assesses gender inequality through the gender-adjusted human development index. The *Human Development Report 2005* identified extreme inequality between and within countries as one of the main barriers to progress towards the achievement of the Millennium Development Goals.

53. The Department of Economic and Social Affairs of the Secretariat published the *Report on the World Social Situation* in 2005 on the "inequality predicament". The second volume on inequality is scheduled for publication in 2013.

VI. Conclusion and recommendations

54. **In the effort to reduce poverty and inequality and advance inclusive social and economic development, special attention should be paid to promoting the participation and empowerment of all members of society.** Governments should address the underlying causes of inequality, discrimination and exclusion and take measures to empower people, in particular those from disadvantaged social groups, to participate in decision-making processes.

55. Productive employment and decent work are key paths to reducing poverty and inequality, as well as the main means towards inclusive, equitable and sustained economic growth. Macroeconomic and social policies should focus on the creation of productive employment and decent work. **Governments should, as appropriate in their national context, devote additional resources to creating employment opportunities for marginalized social groups and those at the lower end of the income distribution ranking who suffer disproportionately from the lack of productive employment and decent work.**

56. Progressive tax policies can play an important role in addressing inequality and poverty. **Governments may wish to consider a combination of progressive income taxes and highly redistributive transfers to decrease income inequality and its impact on social development.** Policies that support increasing access to finance for the poor and those at the lower end of the income distribution scale would contribute to increased opportunities for economic mobility and reduced inequality. **Governments may wish to consider broadening access to inclusive financing, for example by supporting institutions that promote pro-poor lending in order to help improve the distribution of income.**

57. Given the importance of universal access to social protection to reducing poverty and inequality, **Governments should consider implementing a social protection floor or extending the scope of existing social protection programmes.** Such programmes have the potential to ensure that future economic growth will be more inclusive and equitable. National strategies to extend social security, including the establishment of national social protection floors, should be pursued in order to help realize the right to social security, which should include at least the minimum level of income security and effective access to health care for all, in particular disadvantaged social groups.

58. At the international level, fair and equitable globalization requires the promotion of an international environment conducive to inclusive growth and development in developing countries. Building the capacity of developing countries to benefit from the opportunities associated with globalization, while managing risk and instability, should be supported. **Given the impact of finance-driven globalization on inequality, high priority should be given to the regulation and reform of the existing international financial architecture.** Furthermore, the failure to conclude a development-oriented Doha Round of trade negotiations has remained a major barrier to the establishment of a fair trading system. **In order to**

deliver benefits to developing countries, the conclusion of the Doha Round is urgently needed.

59. Increased agricultural productivity plays a critical role in improving income distribution in developing countries. **Hence, sustained investment in agriculture, particularly targeting smallholder farmers, is essential to ensuring dynamic growth in the agricultural sector.** These investment efforts should be complemented by improving access to established markets.

60. **Consideration could be given to the establishment of a standing agenda item of the General Assembly entitled "Empowering people and countries to reduce poverty and inequality".** This would encourage coherent and complementary policies, their mainstreaming into the activities of United Nations agencies and programmes, and more effective integration of the three pillars of sustainable development. **Reducing inequality should continue to be a central consideration throughout the consultative process establishing the development agenda beyond 2015, which should include the consideration of tools and mechanisms to assess and monitor the impact of social and economic policies on inequality.**